

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
MT VERNON COMMUNITY SCHOOL CORPORATION  
HANCOCK COUNTY, INDIANA  
July 1, 2004 to June 30, 2006



**FILED**  
12/22/2006



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## OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beverly Baugh	07-01-04 to 06-30-07
Superintendent of Schools	Dr. William J. Riggs	07-01-04 to 06-30-07
President of the School Board	Paul Riddle Kevin Burke	07-01-03 to 06-30-06 07-01-06 to 06-30-07



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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## INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MT VERNON COMMUNITY SCHOOL  
CORPORATION, HANCOCK COUNTY, INDIANA

We have examined the financial information presented herein of Mt Vernon Community School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above present fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

November 21, 2006

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2005

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 5,147,460
Restricted assets:	
Cash and investments	<u>2,209,551</u>
Total assets	<u>\$ 7,357,011</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 2,209,551
Unrestricted	<u>5,147,460</u>
Total net assets	<u>\$ 7,357,011</u>

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and investments	\$ 5,680,112
Restricted assets:	
Cash and investments	<u>963,277</u>
Total assets	<u>\$ 6,643,389</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	\$ 963,277
Unrestricted	<u>5,680,112</u>
Total net assets	<u>\$ 6,643,389</u>

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 8,194,592	\$ -	\$ 85,701	\$ (8,108,891)
Support services	13,874,973	982,666	168,335	(12,723,972)
Community services	214,059	-	-	(214,059)
Nonprogrammed charges	1,632,096	-	-	(1,632,096)
Debt service	10,170,042	-	-	(10,170,042)
Total governmental activities	<u>\$ 34,085,762</u>	<u>\$ 982,666</u>	<u>\$ 254,036</u>	<u>(32,849,060)</u>
General receipts:				
Property taxes				14,228,384
Other local sources				5,371,271
State aid				10,286,125
Grants and contributions not restricted				579,962
Bonds and loans				6,180,134
Sale of property, adjustments, and refunds				59,185
Investment earnings				<u>130,458</u>
Total general receipts				<u>36,835,519</u>
Change in cash and investments				3,986,459
Net assets - beginning				<u>3,370,552</u>
Net assets - ending				<u>\$ 7,357,011</u>

The accompanying notes are an integral part of the financial statements.



MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH ACTIVITIES  
For the Year Ended June 30, 2006

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipts
		Charges for Services	Operating Grants and Contributions	Total
Governmental activities:				
Instruction	\$ 8,678,097	\$ -	\$ 67,470	\$ (8,610,627)
Support services	16,364,805	1,094,908	246,069	(15,023,828)
Community services	254,350	-	-	(254,350)
Nonprogrammed charges	909,956	-	-	(909,956)
Debt service	9,838,384	-	-	(9,838,384)
Total governmental activities	<u>\$ 36,045,592</u>	<u>\$ 1,094,908</u>	<u>\$ 313,539</u>	<u>(34,637,145)</u>
General receipts:				
Property taxes				12,377,210
Other local sources				4,874,050
State aid				11,792,004
Grants and contributions not restricted				448,172
Bonds and loans				3,326,315
Sale of property, adjustments, and refunds				862,710
Investment earnings				<u>243,062</u>
Total general receipts				<u>33,923,523</u>
Change in cash and investments				(713,622)
Net assets - beginning				<u>7,357,011</u>
Net assets - ending				<u>\$ 6,643,389</u>

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2005

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 7,610,325	\$ 1,030,845	\$ 5,637,040	\$ 2,643,379	\$ 329,545	\$ 1,529,223	\$ 18,780,357
Intermediate sources	150	-	-	-	-	1,575	1,725
State sources	10,335,976	-	-	-	-	557,272	10,893,248
Federal sources	-	-	-	-	-	226,874	226,874
Bonds and loans	3,382,380	-	2,307,238	490,516	-	-	6,180,134
Sale of property, adjustments and refunds	660	-	-	-	-	58,525	59,185
Intergovernmental transfers	650,548	-	-	-	-	790,851	1,441,399
Total receipts	<u>21,980,039</u>	<u>1,030,845</u>	<u>7,944,278</u>	<u>3,133,895</u>	<u>329,545</u>	<u>3,164,320</u>	<u>37,582,922</u>
Disbursements:							
Current:							
Instruction	7,561,465	-	-	-	-	633,127	8,194,592
Support services	7,154,299	816,530	-	1,488,448	219,753	1,713,539	11,392,569
Community services	213,114	-	-	-	-	945	214,059
Nonprogrammed charges	1,949,088	49,817	270,533	113,785	13,243	1,129,523	3,525,989
Debt services	3,570,745	-	5,719,169	495,683	-	384,445	10,170,042
Total disbursements	<u>20,448,711</u>	<u>866,347</u>	<u>5,989,702</u>	<u>2,097,916</u>	<u>232,996</u>	<u>3,861,579</u>	<u>33,497,251</u>
Excess (deficiency) of total receipts over (under) total disbursements	1,531,328	164,498	1,954,576	1,035,979	96,549	(697,259)	4,085,671
Cash and investments - beginning	<u>1,011,382</u>	<u>(164,496)</u>	<u>258,820</u>	<u>468,402</u>	<u>96,708</u>	<u>1,542,321</u>	<u>3,213,137</u>
Cash and investments - ending	<u>\$ 2,542,710</u>	<u>\$ 2</u>	<u>\$ 2,213,396</u>	<u>\$ 1,504,381</u>	<u>\$ 193,257</u>	<u>\$ 845,062</u>	<u>\$ 7,298,808</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ 4,085,671
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	(99,212)
Change in cash and investments of governmental activities	<u>\$ 3,986,459</u>

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2006

	General	Transportation Operating	Debt Service	Capital Projects	School Bus Replacement	Other	Totals
Receipts:							
Local sources	\$ 6,986,218	\$ 951,198	\$ 4,780,623	\$ 2,283,578	\$ 260,062	\$ 1,735,949	\$ 16,997,628
Intermediate sources	150	-	-	-	-	1,819	1,969
State sources	11,822,572	-	-	-	-	310,795	12,133,367
Federal sources	-	-	-	-	-	420,348	420,348
Bonds and loans	2,198,708	-	566,324	561,283	-	-	3,326,315
Sale of property, adjustments and refunds	-	-	-	-	-	862,710	862,710
Intergovernmental transfers	140,303	-	-	-	-	157,000	297,303
Total receipts	<u>21,147,951</u>	<u>951,198</u>	<u>5,346,947</u>	<u>2,844,861</u>	<u>260,062</u>	<u>3,488,621</u>	<u>34,039,640</u>
Disbursements:							
Current:							
Instruction	8,259,202	-	-	-	-	418,895	8,678,097
Support services	8,731,782	951,086	17,983	1,565,187	464,344	2,176,408	13,906,790
Community services	253,404	-	-	-	-	946	254,350
Nonprogrammed charges	1,372,651	-	103,000	54,000	-	637,608	2,167,259
Debt services	2,615,244	-	6,474,725	490,516	-	257,899	9,838,384
Total disbursements	<u>21,232,283</u>	<u>951,086</u>	<u>6,595,708</u>	<u>2,109,703</u>	<u>464,344</u>	<u>3,491,756</u>	<u>34,844,880</u>
Excess (deficiency) of total receipts over (under) total disbursements	(84,332)	112	(1,248,761)	735,158	(204,282)	(3,135)	(805,240)
Cash and investments - beginning	<u>2,542,710</u>	<u>2</u>	<u>2,213,396</u>	<u>1,504,381</u>	<u>193,257</u>	<u>845,062</u>	<u>7,298,808</u>
Cash and investments - ending	<u>\$ 2,458,378</u>	<u>\$ 114</u>	<u>\$ 964,635</u>	<u>\$ 2,239,539</u>	<u>\$ (11,025)</u>	<u>\$ 841,927</u>	<u>\$ 6,493,568</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

Net change in fund balances - total governmental funds	\$ (805,240)
Amounts reported for governmental activities in the statement of cash activities are different because:	
Internal service funds are not reported as a part of governmental funds.	<u>91,618</u>
Change in cash and investments of governmental activities	<u>\$ (713,622)</u>

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2005

	Internal Service Fund
Receipts:	
Local sources	\$ 1,930,692
Transfers	<u>452,500</u>
Total receipts	<u>2,383,192</u>
Disbursements:	
Support services	<u>2,482,404</u>
Total disbursements	<u>2,482,404</u>
Changes in cash and investments	(99,212)
Cash and investments - beginning	<u>157,415</u>
Cash and investments - ending	<u><u>\$ 58,203</u></u>

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
PROPRIETARY FUND  
For The Year Ended June 30, 2006

	Internal Service Fund
Receipts:	
Local sources	\$ 1,589,632
Transfers	<u>960,000</u>
Total receipts	<u>2,549,632</u>
Disbursements:	
Support services	<u>2,458,014</u>
Total disbursements	<u>2,458,014</u>
Changes in cash and investments	91,618
Cash and investments - beginning	<u>58,203</u>
Cash and investments - ending	<u><u>\$ 149,821</u></u>

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2005

	Pension Trust Funds
	<hr/>
Additions	\$ -
Deductions:	
Support services	<u>228,085</u>
Total deductions	<u>228,085</u>
Deficiency of total additions under total deductions	(228,085)
Cash and investments - beginning	<u>2,376,602</u>
Cash and investments - ending	<u><u>\$ 2,148,517</u></u>

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
For The Year Ended June 30, 2006

	Pension Trust Funds
Additions:	
Bonds and loans	\$ 2,900,898
Total additions	<u>2,900,898</u>
Deductions:	
Support services	238,404
Debt services	<u>7,520</u>
Total deductions	<u>245,924</u>
Excess of total additions over total deductions	2,654,974
Cash and investments - beginning	<u>2,148,517</u>
Cash and investments - ending	<u>\$ 4,803,491</u>

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2005

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 2,148,517	\$ 114,263
	<u>                    </u>	<u>                    </u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 2,148,517	
	<u>                    </u>	

The accompanying notes are an integral part of the financial statements.



MT VERNON COMMUNITY SCHOOL CORPORATION  
STATEMENT OF CASH AND INVESTMENTS  
FIDUCIARY FUNDS  
June 30, 2006

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
Cash and investments	\$ 4,803,491	\$ 66,585
	<u>                    </u>	<u>                    </u>
<u>Net Assets</u>		
Held in trust for employee benefits and other purposes	\$ 4,803,491	
	<u>                    </u>	

The accompanying notes are an integral part of the financial statements.

MT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

The School Corporation uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

MT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

MT VERNON COMMUNITY SCHOOL CORPORATION  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Teacher's Retirement Fund  
150 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

MT VERNON COMMUNITY SCHOOL CORPORATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 1,289,408	\$ 1,408,588	\$ (119,180)	92%	\$ 1,421,831	(8%)
07-01-04	1,344,727	1,485,856	(141,129)	91%	1,474,567	(10%)
07-01-05	1,448,458	1,904,402	(455,944)	76%	1,940,862	(23%)

MT VERNON COMMUNITY SCHOOL CORPORATION  
EXAMINATION RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The cash balance of the Book Rental Fund and the Retirement/Severance Bond DS Fund were overdrawn at June 30, 2005, in the amounts of \$122,651 and \$3,845, respectively. The cash balance of the Book Rental Fund, the Retirement/Severance Bond DS Fund, and the Transportation - Bus Purchase Fund were overdrawn at June 30, 2006, in the amounts of \$179,112, \$1,357, and \$11,025, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

MT VERNON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2006, with Dr. William J. Riggs, Superintendent of Schools; and Beverly Baugh, Treasurer. The officials concurred with our finding.